

Financial Management

**Performance
Characterization**

Financial Services Management continued to demonstrate a high level of performance by successfully adapting to a changing environment during the fiscal year and by preserving a high-quality work ethic. Several changes took place that affected Financial Services Management, such as the implementation of a new Procurement/Receiving/Payables (PRP) System; the launching of a new grants system (called Research Administration, Proposal/Project Information Database, or RAPID); the institution of an accelerated DOE closing schedule; increased frequency and focus on audit reviews, and the conversion to a new banking service. Financial Services Management supported the changes, made the necessary adjustments, and continued to provide quality financial assistance for effective Laboratory operations.

Effective communications continued to be encouraged as a fundamental principle in financial operations. The Financial Network provided a forum for open discussion, issue resolution, dissemination of timely information, education, and training. Other informative communications, such as the Budget Formulation kickoff meeting, Year-End Close presentation, coordination of the Director's Budget Review, and the establishment of the Procurement/Receiving/Payables (PRP) Users' Group (PUG), were also provided during the year. The management report was prepared and submitted as scheduled to senior management, providing costs, trends, and annual forecasts for Laboratory operations.

An issue necessitating corrective measures in FY 2003 relates to the discovery of improper payments to an ESnet subcontractor. These payments have been recovered; however, the issues involved have required the Laboratory to strengthen financial-management procedures and controls for contractor invoice approvals and payments.

A second event was an internal audit during mid-2003 that disclosed approximately \$76 million of capitalized fabrication assets booked between 1987 and 1998 that were not properly identified and reported in the general ledger. These assets have been reviewed for appropriate identification and disposition and have been accounted for accordingly. Fiscal-year-end balances accurately reflect fixed assets and related depreciation on LBNL financial reports.

Several areas of performance achieved excellent results this year. Effective vendor disbursements were maintained at an outstanding level; efforts to minimize the number of days to process receivables were successful; cost-accounting practices were within DOE guidelines; funds control was managed effectively; the DOE Budget Submission was prepared appropriately and submitted on time, as required; and the Functional Support Cost Report (FSCR) was completed and submitted on schedule.

Supporting data were also provided to the Department of Energy/Office of Management, Budget, and Evaluation (DOE/CFO Office) for a FSCR review, and Financial Services was commended for their assistance with this process. Regular and ad hoc reports were submitted as required, with accuracy and completeness, and on a timely basis. Electronic Data Interchange (EDI) was advocated as an efficient cost-saving mechanism.

Workforce development continued to be an essential part of the organization. Training on software and system skills, as well as financial processes and procedures, is encouraged and supported. Departmental training is also considered fundamental in meeting the financial needs of the Laboratory. Improved cross training resulted from an established 9/80 flexible schedule option.

For the purposes of this report, Financial Services Management represents the Controller's Organization

Preamble

Lawrence Berkeley National Laboratory (LBNL) will use the Financial Management Performance Assessment Plan (FMPAM) model for fiscal year 2003. The Financial Management organization has finalized its assessment plan with DOE and UC. This plan will cover performance thresholds, performance ranges, specific scoring criteria, and frequency of reporting.

In this Model, points are used to determine the score for each activity. Weights and the corresponding points are shown below at the Objective, Criteria, and Performance Measure Levels. Exhibit I summarizes the activities to be measured, performance ranges, and point value for each activity. The final rating will be based on the total activity points earned. The rating percentage will be calculated as a ratio of total points earned to total points possible (where a total weight of 100% is equal to 1,000 points).

General Note Regarding Gradients

All Performance Measures are rated as composites of numerous submeasures described in the protocol document. Points are earned for each submeasure. The submeasure points earned are totaled for each associated Performance Measure. The resulting Performance Measure score will be calculated as a percentage of total points possible. The following table illustrates the appropriate adjectival rating associated with percentage of points earned.

Percent of Points Earned	Rating
90–100%	Outstanding
80–89%	Excellent
70–79%	Good
60–69%	Marginal
59% or less	Unsatisfactory

**Performance
Objective #1**

Effective Accounting Practices: *The Controller's Organization* shall ensure the accounting practices are effective, efficient, and according to generally accepted standards and principles. (Weight = 14.1% / Total Points = 141)*

**Objective #1
Criterion 1.1**

Cash Management: *The Controller's Organization shall have effective processes to disburse and collect government funds. (Weight = 2.5% / Total Points = 25)*

**Objective #1
Criterion 1.1
Performance
Measure 1.1.a**

Effectiveness of Disbursements: *The effectiveness of vendor payment processes will be measured. (Weight = 1.2% / Total Points = 12)*

Basis for Rating

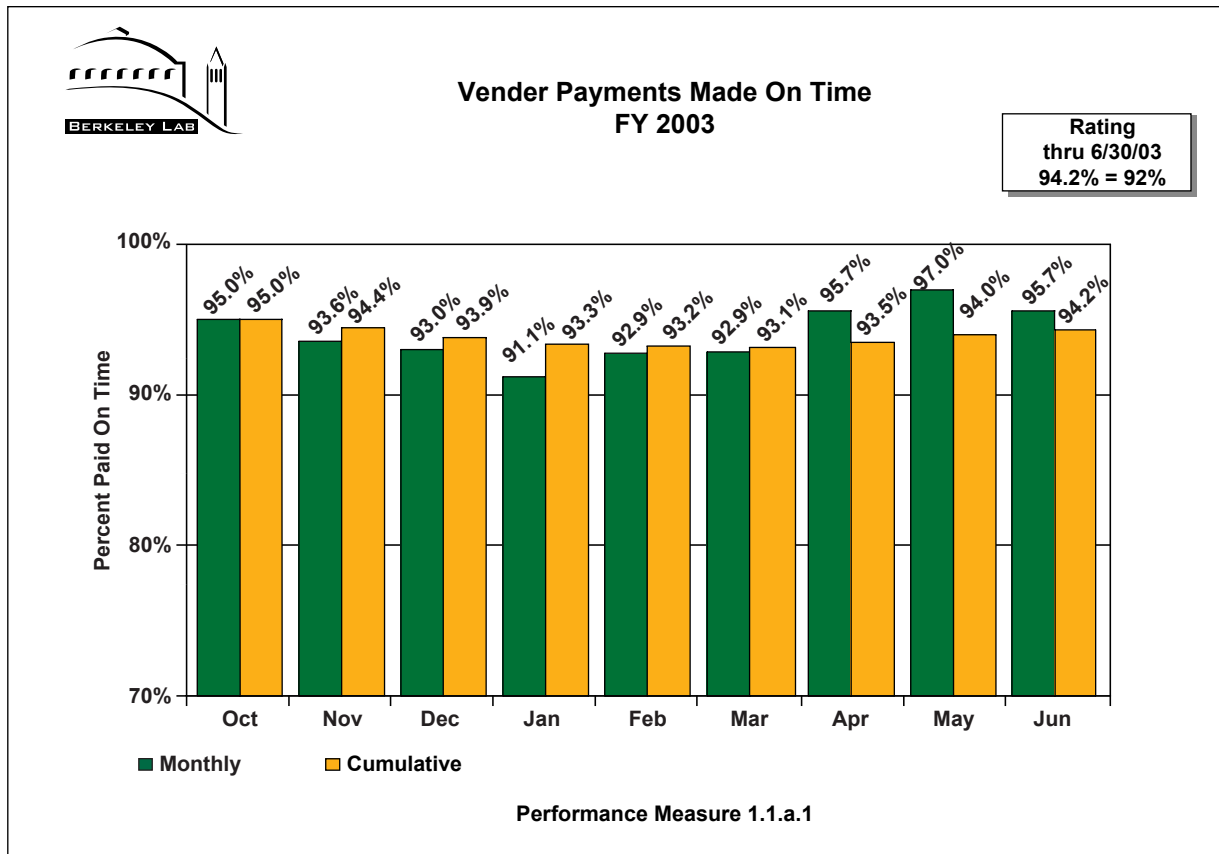
Exhibit I (at the end of this section) summarizes the activities to be measured, performance ranges, and point value for each activity.

**Performance
Measure 1.1.a.1**
Vendor Payments Made on Time.
**Performance
Measure Result**

The Laboratory has consistently maintained an outstanding performance level for this measure. Through the Third Quarter, 94.2% of vendor payments were made on time, compared to 98.5% for the same period last year. (The slight decrease was due to the learning curve involved with the implementation of the new Accounts Payable system and temporary contract labor coverage for a medical absence.)

Supporting Data

Available on request.



**Performance
Measure 1.1.a.2**

Customer Satisfaction Results: *Feedback indicates customer needs are met.*

**Performance
Measure Result**

This measure was successfully met each quarter for the first half of the year. Laboratory customers informally conveyed their appreciation for quality disbursement processes through personal comments, and formally by sending notes of gratitude to the Accounts Payable Department. Through the Third Quarter, approximately 22 notes of appreciation or approval were received. Customer satisfaction continues to be a fundamental guideline for quality performance in Financial Services Management.

Supporting Data

Available on request.

Objective #1
Criterion 1.1
Performance
Measure 1.1.b

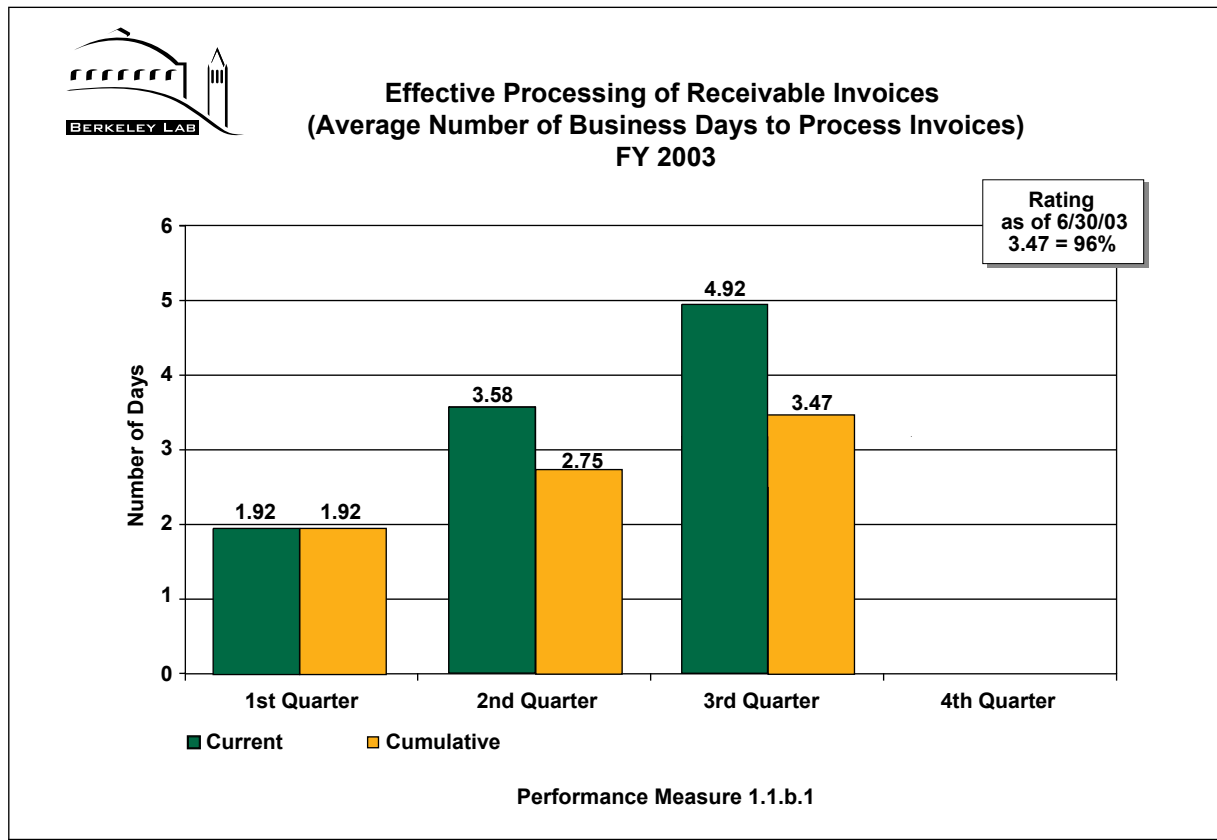
Effectiveness of Collections: *The improvement trends for collection of accounts receivable will be measured. (Weight = 1.3% / Total Points = 13)*

Basis for Rating

Exhibit I (at the end of this section) summarizes the activities to be measured, performance ranges, and point value for each activity.

Performance Measure 1.1.b.1**Effective Processing of Receivable Invoices (Average Number of Business Days to Process Invoices).****Performance Measure Result**

Through the Third Quarter, performance for this measure continued to be outstanding. Due to process and system improvements, the average number of business days to process and mail invoices was 3.47, compared to 3.03 for the same period last year. The calculation begins the day the ledger closes and concludes when all invoices are mailed or distributed.

**Supporting Data**

Available on request.

**Performance
Measure 1.1.b.2**

No Delinquent Nonfederal Receivables (>160 days).

**Performance
Measure Result**

For the First and Second Quarter, the Laboratory successfully ensured that there were no delinquent nonfederal receivables over 160 days. Diligent customer communications, along with ongoing reviews, provided a positive result for Financial Services. In the Third Quarter, there was one receivable over 160 days, the Ceylon Electric Board, which will be referred to DOE for cross servicing.

Supporting Data

Available on request.

**Performance
Measure 1.1.b.3**

No Delinquent Federal Receivables (>160 days).

**Performance
Measure Result**

This measure was successfully met during the First Quarter, as there were no delinquent federal receivables over 160 days. The Second Quarter resulted in two outstanding receivable invoices over 160 days for the Smithsonian Institute. Due to the implementation of a new system, the Smithsonian was unable to remit payment until June 3, when its system was fully functional.

Supporting Data

Available on request.

**Objective #1
Criterion 1.2**

Account Management: *Ensure that the Controller's Organization effectively manages high-risk accounts. (Weight = 11.6% / Total Points = 116)*

**Objective #1
Criterion 1.2
Performance
Measure 1.2.a**

Work For Others (WFO) Accounts — Use of UC Bridge Funding: *The Controller's Organization shall demonstrate effective management of UC financing of WFO. (Weight = 2.8% / Total Points = 28)*

Basis for Rating

Exhibit I (at the end of this section) summarizes the activities to be measured, performance ranges, and point value for each.

**Performance
Measure 1.2.a.1**

The Laboratory Provides UC with Timely Information on UC Bridge Funding.

**Performance
Measure Result**

This measure was successfully met each quarter. The Laboratory provided timely payment reports on the use of bridge funding to UC. A report is submitted after each monthly close, with current and prior month bridge funding withholding totals from the UC management fee.

Supporting Data

Available on request.

**Performance
Measure 1.2.a.2**

The Laboratory Provides Department of Energy/Oakland Operations Office (DOE/OAK) with Timely Information on UC Bridge Funding.

**Performance
Measure Result**

This measure was successfully met each quarter. After each monthly close, a report that includes project details and the total amount of bridge funding used is prepared and submitted to DOE/OAK.

Supporting Data

Available on request.

Objective #1 Criterion 1.2 Performance Measure 1.2.b	High-Risk Account Reconciliations: <i>The Controller's Organization shall demonstrate effective accounting processes/results for high-risk account reconciliations. (Weight = 6.4% / Total Points = 64)</i>
Performance Measure 1.2.b.1	Payroll Bank Account Is Reconciled within 20 Workdays after Receipt of the Account Reconciliation Report from the Bank.
Performance Measure Result	This measure was successfully met. For each month, the Payroll Bank Account was reconciled within 20 days, with an overall average of 14.2 days.
Performance Measure 1.2.b.2	Payroll Bank Account: <i>Controllable reconciling items over 60 days old will not exceed 25% of the total controllable reconciling items. The 60-day time period will begin from the date that the reconciliation is completed.</i>
Performance Measure Result	This measure was successfully met. There were no controllable reconciling items over 60 days old that exceeded 25% of the total for the year to date. Of the 356 reconciled items, only four were over 60 days old.
Performance Measure 1.2.b.3	Vendor Bank Account Is Reconciled within 20 Workdays after Receipt of the Account Reconciliation Report from the Bank.
Performance Measure Result	This measure was successfully met for five months through the Third Quarter. Reconciliations were current and performed within 20 days of receipt of the bank reconciliation report. The other four months in which the measure was not met were primarily due to the conversion of a new banking service and the implementation of a new Accounts Payable system.
Performance Measure 1.2.b.4	Vendor Bank Account: <i>Controllable reconciling items over 60 days old will not exceed 25% of the total controllable reconciling items. The 60-day time period will begin from the date that the reconciliation is completed.</i>
Performance Measure Result	This measure was successfully met for October (no items over 60 days old) and November (three of 40 total items were over 60 days old). However, the remaining months through June did not result in meeting this measure. It should be noted that this was the result of extraordinary conditions resulting from the Laboratory's transition to a new banking system.
Supporting Data	Available on request.

Objective #1
Criterion 1.2
Performance
Measure 1.2.c

Asset Management: *The Controller's Organization shall demonstrate effective accounting processes/results for asset management. (Weight = 2.4% / Total Points = 24)*

Basis for Rating

Exhibit I (at the end of this section) summarizes the activities to be measured, performance ranges, and point value for each.

Performance
Measure 1.2.c.1

Upon Approval from Property, Capitalize All Completed Capital Construction Projects No Later than the Next Monthly Accounting Period after Beneficial Occupancy.

Performance
Measure Result

This measure was successfully met. Eight capital construction projects were completed through June that were capitalized no later than the next monthly accounting period after beneficial occupancy. The total cost of the projects was \$3.2 million. Financial Services proactively communicated with Property Management to identify Construction Work in Progress (CWIP) projects/assets that may have been completed or did not have any new cost activity. Formal CWIP procedures are being developed to ensure adequate documentation and internal controls are in place for the timely capitalization of construction projects.

**Performance
Measure 1.2.c.2**

Financial Management Participates in the Unified Project Call Process, which Ensures All Funding Determination Requests Are Evaluated and Prioritized for Appropriateness: *Funding is monitored for appropriate allocation and distribution.*

**Performance
Measure Result**

This measure was successfully met. Financial Services Management participates in the Unified Project Call, which is initiated on an annual basis. The Unified Project Call provides divisions with the opportunity to submit their funding requirements for general plant projects (GPP) and general purpose equipment (GPE) to Laboratory management for the following year.

A representative from Financial Services Management participates in the GPP/GPE Review Committee meetings to review and prioritize all requests. The funding requests are assessed and prioritized, and a list of recommended projects is provided to Laboratory management and the Director's Action Committee (DAC) for funding determination.

Financial Services Management ensures that the approved funding is allocated to the appropriate projects for each division, and that the opening of new projects is reviewed and approved to ensure the application of appropriate fund types and burdens. The department also participates in monthly GPP meetings, monitors funding allocations and costs, and prepares a monthly GPE report for the appropriate divisions.

**Performance
Objective #2**

Financial Stewardship: *The Controller's Organization practices provide for financial stewardship, including compliance, data integrity, and reporting. (Weight = 34.4% / Total Points = 344)*

**Objective #2
Criterion 2.1**

Financial Compliance: *The Controller's Organization shall demonstrate stewardship and compliance with DOE and federal accounting standards and policies. (Weight = 17.6% / Total Points = 176)*

**Objective #2
Criterion 2.1
Performance
Measure 2.1.a**

Audit Results and Resolution: *The Controller's Organization will be measured on the audit results and resolution of audit findings. (Weight = 1.8% / Total Points = 18)*

Basis for Rating

Exhibit I (at the end of this section) summarizes the activities to be measured, performance ranges, and point value for each activity.

**Performance
Measure 2.1.a.1****Appropriate Targeting of Accepted Findings.****Performance
Measure Result**

Financial audits by the U.S. General Accounting Office (GAO), Office of the Inspector General (OIG), DOE, and Internal Audit are monitored and tracked in Financial Services Management. Open items are addressed, and timely resolution is targeted. Appropriate target dates were set for 100% of the accepted audit findings for Financial Management. Recommendations made by the following completed audits and reviews were targeted for resolution by FY 2003:

- Audit 2286, Billings and Accounts Receivable
 - Audit 2302, Supplemental Review of Site Operating Contractor Overhead for FY 1999
 - Audit 2323, Check Requests
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Supporting Data

Available on request.

**Performance
Measure 2.1.a.2**

Appropriate Resolution of Accepted Findings.

**Performance
Measure Result**

As discussed previously, completed financial audits are monitored and tracked for accountability purposes. Resolution was met for 100% of the accepted audit findings for Financial Services targeted through June. The following audits/reviews had targeted recommendations that were resolved appropriately through the Third Quarter:

- Audit 2286, Billings and Accounts Receivable
- Audit 2323, Check Requests

Supporting Data

Available on request.

Objective #2
Criterion 2.1
Performance
Measure 2.1.b

Internal Controls and Compliance on Subject Areas: *The Controller's Organization will be measured on the adequacy of their internal controls environment. (Weight = 3.6% / Total Points = 36)*

Basis for Rating

Exhibit I (at the end of this section) summarizes the activities to be measured, performance ranges, and point value for each activity.

Performance
Measure 2.1.b.1

Self-Assessment Reports and Related Documentation, as Determined in Conjunction with DOE/OAK.

Performance
Measure Result

Self-assessment reports and related documentation were 100% complete through the Third Quarter. The following items were identified by Berkeley Lab and DOE/OAK as self-assessment areas for internal controls and compliance in FY 2003:

- Resource adjustment procedures
- Office of Scientific and Technical Information (OSTI) procedures
- Fabrication procedures

Performance
Measure 2.1.b.2

Appropriate Targeting of Self-Assessment Findings.

Performance
Measure Result

Appropriate target dates were set for 100% of self-assessment findings.

Performance
Measure 2.1.b.3

Appropriate Resolution of Self-Assessment Findings.

Performance
Measure Result

Appropriate resolution was met for 100% of self-assessment findings.

Supporting Data

Available on request.

Objective #2
Criterion 2.1
Performance
Measure 2.1.c

Cost Accounting Practices: *The Controller's Organization compliance with Cost Accounting Standards will be measured. (Weight = 7.2% / Total Points = 72)*

Basis for Rating

Exhibit I (at the end of this section) summarizes the activities to be measured, performance ranges, and point value for each activity.

Performance
Measure 2.1.c.1

Indirect Rate Submissions Are Timely, Accurate, Complete, and in Conformance with Cost Accounting Standards (CAS), as Determined by DOE/OAK.

Performance
Measure Results

This measure was met for each quarter to date for FY 2003. On September 3, 2002, the FY-2003 rate package was submitted to DOE/OAK. Cost Accounting subsequently consulted with DOE/OAK to discuss and review the FY-2003 rate submission. In the First Quarter, revisions were made to the payroll-burden rate and the proposed procurement field-buyer rate. The FY- 2003 rates were approved on October 30, 2002. Rates are monitored on a monthly basis for appropriateness and compliance.

In the Second Quarter, Cost Accounting met with DOE/OAK to advise of anticipated changes as a result of procurement card reviews. In addition, a request for a new recharge rate for Engineering was approved. Actual cost submissions will be based on a final decision by Laboratory management.

During the Third Quarter, four rate submissions were made to DOE for approval. These included a new recharge rate for Engineering, a revision of the safeguards and security rate, a request for a special rate for the Distributed Procurement Unit, and a change in the career payroll burden rate. The requests were submitted in a timely manner to DOE, following the approval of DAC.

Performance
Measure 2.1.c.2

CAS Change Proposal Submissions Are Timely, Accurate, Complete, and in Conformance with the Agreed-Upon Requirements, as Determined by DOE/OAK.

Performance
Measure Results

No CAS change proposals were submitted subsequent to the initial approval of the FY-2003 rates. The Laboratory considers its current accounting practices to be in compliance with CAS and DOE requirements.

**Performance
Measure 2.1.c.3**

CAS Disclosure Statement Is Current, Accurate, Complete and in Conformance with the Agreed-Upon Requirements, as Determined by DOE/OAK.

**Performance
Measure Results**

This measure was successfully met. The Laboratory's Cost Disclosure Statement was updated and submitted to DOE/OAK on November 7, 2002. The revisions reflected changes to the rates for procurement field buyers; Environment, Health and Safety (EH&S) Waste Management; additional expenses included in the payroll-burden cost pool; and the deletion of a design-works rate (not implemented). The CAS Disclosure Statement is considered to be in compliance with CAS and DOE requirements. Changes to the CAS Disclosure Statement were updated in the Third Quarter to further describe the Laboratory's accounting practices. It is anticipated that formal approval will be received from DOE/OAK.

**Performance
Measure 2.1.c.4**

Internal Customer Information Distribution Process Is in Place. Information Is Distributed to Customers on a Timely Basis (i.e., within Ten Workdays after Notification of DOE Approval).

**Performance
Measure Results**

This measure has been successfully met. In the First Quarter, division business managers were promptly notified of rate changes as required (within ten workdays after notification of DOE approval). In addition, the "Cookbook" was updated to include current rate information, which is available to financial personnel on the Web. There were no changes in the Second Quarter. In the Third Quarter, the Laboratory financial community was promptly notified of changes to approved rates. Changes to the safeguards and security rate and the new Engineering recharge rate were disseminated within ten workdays after notification of approval from DOE. The Laboratory proposed rates for the Distributed Procurement Unit and a payroll-burden rate increase for career employees. Formal notification of these changes will be made when approved by DOE.

Supporting Data

Available on request.

Objective #2
Criterion 2.1
Performance
Measure 2.1.d

Accuracy of DOE Financial Statements: *Demonstrate effective accounting processes/results for accuracy of DOE financial statements. (Weight = 5.0% / Total Points = 50)*

Basis for Rating

Exhibit I (at the end of this section) summarizes the activities to be measured, performance ranges, and point value for each activity.

Performance
Measure 2.1.d.1

DOE Balance Sheet Codes Reconciliations: *Timely reconciliation of key balance sheet accounts (i.e., cash, liabilities, advances and deposits).*

Performance
Measure Results

Although reconciliations were completed for several accounts, the Laboratory determined that not all of the key balance sheet accounts were reconciled on a timely basis. The Laboratory did not meet this measure for FY 2003.

During a property review of fabrications conducted in FY 2003, it was discovered that there were capitalized assets recorded between 1987 and 1998 on the Laboratory balance sheet using capitalization methodologies that did not properly identify the assets at the time they were placed into service. The current accounting treatment of these assets may have resulted in the following financial statement impacts:

- Assets were initially overstated due to discontinued fabrications, which should not have been capitalized.
 - Assets were also overstated due to disassembled assets, which were not removed from the balance sheet.
 - Some assets are currently understated, as certain fabrications in use have no value on the balance sheet.
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Performance
Measure 2.1.d.2

The Laboratory Is Free of Material Government Management Reform Act (GMRA) Audit Findings.

Performance
Measure Results

The measure was successfully met. One GMRA audit for FY 2003, Audit of the Department's Consolidated Financial Statements, is still in process. It is anticipated that this audit will not be completed until FY 2004.

**Performance
Measure 2.1.d.3**

Financial Statement Reports Address the Information Requirements Specified in the Appropriate Statement of Federal Accounting Standards (SFFAS) Pronouncement and/or DOE Guidance.

**Performance
Measure Results**

Financial Services Management prepared financial statement reports that address information requirements specified in the SFFAS declaration and/or DOE guidance. These reports are subject to reviews by the Office of the Inspector General (OIG); Klynveld, Peat, Marwick and Goerdeler (KPMG), and/or Internal Audit. The following are examples of financial statement and analysis reports submitted to DOE:

- Accounts Receivable Aging Report
 - Statement of Costs Incurred and Claimed
 - Financial Statement Analysis
-

Supporting Data

Available on request.

**Objective #2
Criterion 2.2**

Financial Reporting: *The Controller's Organization will demonstrate effective reporting of financial information. (Weight = 10.8% / Total Points = 108)*

**Objective #2
Criterion 2.2
Performance
Measure 2.2.a**

Internal Financial Management Reporting: *The Controller's Organization will be measured on the reporting of financial information to internal customers. (Weight = 3.8% / Total Points = 38)*

Basis for Rating

Exhibit I (at the end of this section) summarizes the activities to be measured, performance ranges, and point value for each activity.

**Performance
Measure 2.2.a.1**

Monthly and Periodic Financial Management Reports are Accurate, Complete, and Meet User Needs (e.g., B&R Status Report, Guidance Report, KJ02 Report, Management Report, Reimbursable Work Order [RWO] Status Report).

**Performance
Measure Results**

This measure was successfully met. Financial reports submitted internally were accurate, complete, and met users' needs. For example, the B&R Status Report is prepared each month and is considered a valuable tool for monitoring costs against funding by B&R category. The Management Report is also prepared for Laboratory senior management and is regarded as an extremely useful mechanism for which strategic financial decisions are made on behalf of the Laboratory. The KJ02 (Technology Transfer) Report is a useful internal report prepared for division financial personnel that reflects year-to-date costs against funding for KJ02 projects and provides a valuable means of effectively managing Technology Transfer costs.

Performance Measure 2.2.b	DOE and Other External Laboratory Reporting: <i>The Controller's Organization will be measured on the reporting of financial information to DOE and other external customers. (Weight = 7.0% / Total Points = 70)</i>
Performance Measure 2.2.b.1	Timeliness of DOE Management Analysis Reporting System (MARS) Transmission: <i>Scoring: Effective April 1, 2003, each timely submission with no more than three Laboratory edits (validity, combination, or balancing) from the published list earns 2 points. If monthly data transmissions pass all edits by 3:00 p.m. the 2nd business day, LBNL will receive an additional 3 points per month.</i>
Performance Measure Results	From April through June, the Laboratory earned 5 points for this measure. In April, more than three edits were required. In May, all requirements were met. In June, there were no more than three edits, but the transmission did not pass all of the edits by the second business day.
Performance Measure 2.2.b.2	MARS Reporting Requirement Changes Implemented as Required by the DOE Schedule (B&R Recasts, OPI Codes, etc.): <i>Meets = 95% of the new requirements implemented as scheduled.</i>
Performance Measure Results	This measure was successfully met. MARS reporting requirement changes, such as B&R recasts and other party identifier (OPI) codes, were implemented in accordance with DOE guidance. At least 95% of the total MARS reporting requirement changes were implemented as required for the year to date.
Performance Measure 2.2.b.3	DOE Periodic Financial Reports: <i>Meets = 95% of the total periodic reports as follows:</i> <ul style="list-style-type: none"> • Timeliness (4 points) • Accuracy (3 points) • Completion (3 points)
Performance Measure Results	At least 95% of the financial reports for DOE were either submitted early or on time through June. The reports were reviewed to ensure accuracy and completeness prior to submission. Financial Services Management received no requests to change or correct the reports; therefore, they were considered acceptable and complete.

**Performance
Measure 2.2.b.4**

DOE Ad Hoc Financial Reports: *Meets = 95% of the total ad hoc reports, as follows:*

- Timeliness (4 points)
 - Accuracy (3 points)
 - Completion (3 points)
-

**Performance
Measure Results**

This measure was successfully met. At least 95% of the DOE requests for ad hoc reports were submitted either early or on time through the Third Quarter. Prior to submission the reports were reviewed for accuracy and completeness. Financial Services Management received no requests to change or correct the reports; therefore, they were considered acceptable and complete.

**Objective #2
Criterion 2.3**

Standards and Principles: *The Controller's Organization shall have documented, effective internal controls and policies and procedures. (Weight = 6.0% / Total Points = 60)*

**Objective #2
Criterion 2.3
Performance
Measure 2.3.a**

Financial Controls: *The Controller's Organization shall demonstrate the effectiveness of internal controls in primary accounting processes as identified with DOE. (Weight = 3.0% / Total Points = 30)*

Basis for Rating

Exhibit I (at the end of this section) summarizes the activities to be measured, performance ranges, and point value for each activity.

**Performance
Measure 2.3.a.1**

WFO Account Management.

**Performance
Measure Results*****Adequate Separation/Segregation of Duties Present***

All WFO projects are reviewed for accuracy and compliance and are opened in the Financial Management System (FMS) by Financial Analysis/Budget. This supports adequate separation or segregation of duties by ensuring that project-opening activities are not part of contract activity and negotiation (performed by Sponsored Projects Office), or other WFO accounting activities (performed by General Accounting).

Similarly, General Accounting is responsible for opening all WFO contracts and billing in FMS. This supports the requirement of separation or segregation of duties. General Accounting is distinctly separated from both contract and negotiations (Sponsored Projects) and WFO project-opening activity (Financial Analysis/Budget).

Policies and Procedures Exist

Written documentation on project and contract opening is maintained by both Financial Analysis/Budget and General Accounting.

Alert Mechanisms to Identify Problems Exist

Written policy and procedures outline criteria for account opening and the review of funding fields. If the criteria are not met, the project will not be opened. A new contract must also comply with the criteria specified in the guidelines before it is opened.

Adequate Computer Security

Adequate computer security exists for WFO account-management activities. The process of opening projects and contract or billing functions is controlled in FMS through security tables, which are password protected.

Supporting Data

Available on request.

**Performance
Measure 2.3.a.2**

UCDRD Account Management.

**Performance
Measure Results***Adequate Separation/Segregation of Duties Present*

A University of California Directed Research and Development (UCDRD) status report is prepared monthly by General Accounting. The report is reviewed and approved by Financial Services management and submitted to Laboratory senior management. An account reconciliation is also performed each quarter on receipt of the statement from University of California Office of the President.

Requests for UCDRD funding are reviewed and approved by the Laboratory Directorate and submitted to Financial Services Management for appropriate action. General Accounting prepares the draw-down requests, issuance of the checks, bank reconciliations, and monthly status report. Financial Services Management approves the checks and draw-down requests. The bank reconciliation is reviewed and approved by the General Accounting Manager, following a first-level review for appropriateness by a senior-staff member.

Policies and Procedures Exist

The UCDRD account-management process is based on the DOE/UC Contract Funds manual. Another separate procedural document is maintained in Financial Services Management as a reference guide.

Alert Mechanisms to Identify Existing Problems

The review and approval process provides an appropriate alert mechanism so that any potential problems are identified as soon as possible, and that corrective action can be taken.

Adequate Computer Security

Computer security exists for the management of UCDRD projects. UCDRD projects are set up and managed in FMS, which is password protected.

Supporting Data

Available on request.

Objective #2
Criterion 2.3
Performance
Measure 2.3.b

Financial Policies and Procedures: *The consistency, accuracy, completeness, and currency of financial policies and procedures will be measured. (Weight = 3.0% / Total Points = 30)*

Basis for Rating

Exhibit I (at the end of this section) summarizes the activities to be measured, performance ranges, and point value for each activity.

Performance
Measure 2.3.b.1

Financial Policies and Procedures Are Accurate, Complete, and Current in Areas Assessed, and Are Available to Laboratory Organizations.

Performance
Measure Results

This measure was successfully met. Financial policies and procedures are monitored regularly and were 90% accurate, complete, and current in areas assessed. They are available on the Financial Services Management Web site and can be accessed by Laboratory personnel.

For example, Laboratory fabrication procedures were assessed and accordingly updated to provide additional clarification on the process of opening and closing fabrication projects. The Cookbook, another document available on the Web, provides financial information on accounting, financial procedures, policies, and guidance, and a short reference list of current-year changes. The Cookbook, and the reference list of changes, was consistently maintained and updated by Financial Services Management. In addition, a new form for processing Requests for Issuance of Checks was updated and is also available on the Web.

**Performance
Measure 2.3.b.2**

Changes and/or Updates to Financial Policies and Procedures Are Communicated in a Timely Manner (i.e., within Ten Workdays of Final Publication).

**Performance
Measure Results**

This measure was successfully met during the year. Financial Services Management ensured that changes and/or updates to policies and procedures are conveyed to financial personnel within ten workdays of final publication or implementation. For example, during the First Quarter, FY-2003 rate changes were communicated to divisions within one workday of final approval. In the Second Quarter, division personnel were formally notified of the updated fabrication procedures described in Measure 2.3.b.1 several days prior to the effective date.

The Cookbook was updated in the First Quarter, and the modifications were summarized in the "Changes" section for easy reference. In addition, Financial Network personnel were notified via e-mail about the new updated Request for Issuance of Check form as soon as it was available on the Web, well within the ten-day requirement. In the Third Quarter, e-mail notification of a potential increase in the payroll burden rate was disseminated to Laboratory financial personnel.

As stated earlier, updated equipment-fabrication procedures were placed on the Financial Services Management Web site. The financial community was formally notified within ten workdays of publication. In addition, a formal presentation was made to the Financial Network to outline the updated procedures and to provide additional clarification.

Supporting Data

Available on request.

**Performance
Objective #3**

External Budget Products and Services: *The Controller's Organization provides quality and appropriate budget formulation and execution products and services to external customers in support of their financial management systems, policies, and procedures. (Weight = 21.5% / Total Points = 215)*

**Objective #3
Criterion 3.1**

Budget Formulation and Validation: *The Controller's Organization shall provide budget formulation and validation products and services that facilitate effective financial management and stewardship of resources. (Weight = 5.0% / Total Points = 50)*

**Objective #3
Criterion 3.1
Performance
Measure 3.1.a**

DOE Budget Submission and Validation: *The Laboratory's formal DOE budget submission and validation activities will be measured for proactiveness, timeliness, accuracy, completeness, and customer satisfaction. (Weight = 5.0% / Total Points = 50)*

Basis for Rating

Exhibit I (at the end of this section) summarizes the activities to be measured, performance ranges, and point value for each activity.

**Performance
Measure 3.1.a.1**

Proactivity and Customer Satisfaction: *The Laboratory Takes Proactive Steps to Ensure that the DOE Field Budget Submission and Validation Is Timely, Accurate, Complete, and Meets DOE/OAK's Needs.*

**Performance
Measure Results**

Financial Services Management employed several proactive steps so that the DOE field-budget submission and validation was provided in a timely, accurate, and complete manner. Following discussions with DOE/OAK, a budget-formulation kickoff meeting was developed well in advance of the anticipated DOE budget-formulation guidance call and was presented to Laboratory financial personnel. The meeting served as a training session and provided the opportunity for discussion and review. The presentation included process guidelines, an overview of the federal budget cycle, data requirements, a detailed calendar, and supportive reference materials. In addition, a mandatory checklist was developed for division personnel to use as a guideline to ensure all of the required documents were submitted accurately and completely.

As an additional measure, all of the necessary budget submission forms and presentation materials were placed on the Web for easy access. Financial Services Management took proactive steps to communicate with the divisions, providing forms guidance, updated budget submission deadlines, and information and requirements from DOE, to ensure the field-budget submission was completed accurately and submitted to DOE on time.

The Laboratory's Web-based central budget preparation and project-planning database, Program Management Tracking System (PMTS), was used in the budget-submission process. PMTS automatically generates Field Work Proposals (FWPs) and Field Planning Proposals (FPPs) and consolidates data for submission to DOE. A detailed PMTS users' manual was developed and is available on the Web. The internal validation process was managed and controlled under the principle of providing quality assurance in a timely manner. Financial Services Management required that each FWP hard copy submitted be reviewed by the divisions using the checklist provided. A second review of each checklist was performed by Financial Services Management to ensure the completeness of required data elements. An electronic data export from the PMTS system was also provided to the divisions for a final assessment of accuracy and completeness. A summary report was also provided to the DOE Site Office and DOE/OAK. The same review process was performed for the required supplemental submissions and crosscut schedules for DOE submitted through Financial Services.

Financial Services Management is currently working with DOE to determine the formal budget validation parameters. It is expected that the validation process will take place in August.

**Performance
Measure 3.1.a.2**

DOE Field Budget Submission: *Timeliness, Accuracy, and Completeness.* *The Laboratory's DOE field-budget submission exhibits and schedules are submitted to DOE timely, accurately, and with all schedules completed as prescribed in the DOE's guidance.*

**Performance
Measure Results**

This measure was successfully met. The DOE field-budget submission exhibits and schedules were completed and submitted accurately, on time, and in accordance with DOE guidance. As indicated above, the primary materials and crosscut schedules were reviewed and evaluated to ensure accuracy and completeness. The appropriate fields of information were properly prepared according to published DOE guidance.

Objective #3 Criterion 3.2	Budget Execution and Cost Management: <i>The Controller's Organization shall provide budget execution products and services that facilitate effective financial management and stewardship of resources. (Weight = 16.5% / Total Points = 165)</i>
Performance Measure 3.2.a	<p>Control of Funds: <i>The Laboratory's costs and commitments are controlled within established limits. (Weight = 9.0% / Total Points = 90)</i></p> <p>Basis for Rating</p> <p>Exhibit I (at the end of this section) summarizes the activities to be measured, performance ranges, and point value for each activity.</p>
Performance Measure 3.2.a.1	Laboratory Costs Are Within Cost-Control Levels at the End of Each Monthly Accounting Period for DOE Direct Funding.
Performance Measure Results	Currently, this measure was successfully met. Financial Services Management initiated processes to ensure that costs were within cost-control levels for DOE direct funding on a monthly basis. To date, there have been no instances of costs exceeding direct funding.
Performance Measure 3.2.a.2	The Sum of the Laboratory's DOE-Funded Costs and Commitments Do Not Exceed Available Funds at the B&R Obligational Control Level (OCL) at Year-End.
Performance Measure Results	With the appropriate level of controls in process, it is expected that costs and commitments will not exceed available funds at the OCL level at year-end.
Performance Measure 3.2.a.3	The Laboratory's Reimbursable WFO Costs Do Not Exceed Available Funds at the Reimbursable Work Order (RWO) OCL at Year-End.
Performance Measure Results	It is expected that the Laboratory's Reimbursable WFO costs will not exceed available funds at the RWO level at year-end.

**Performance
Measure 3.2.a.4****Laboratory Costs Are within Cost-Control Levels for all DOE Funding throughout the Year.**

**Performance
Measure Results**

It is expected that effective control processes will result in costs maintained within cost-control levels for all DOE funding throughout the year.

**Performance
Measure 3.2.a.5****Laboratory Costs Are within Cost-Control Levels for Reimbursable WFO Funding throughout the Year.**

**Performance
Measure Result**

Financial Services Management does not anticipate successfully meeting this measure in FY 2003; however, progress has been made to improve processes and to address ongoing issues in this area. For example, cost and timing issues are currently being addressed while adhering to new processes and procedures implemented last year at the RWO level. Financial Services Management actively participated in the development and implementation of RAPID, which is a new system that supports the Laboratory's WFO research projects (grants applications).

Supporting Data

Available on request.

Objective #3
Criterion 3.2
Performance
Measure 3.2.b

Reports, Submissions, and Requests: *The Controller's Organization's reporting of budget execution and cost management to DOE will be measured. (Weight = 7.5% / Total Points = 75)*

Basis for Rating

Exhibit I (at the end of this section) summarizes the activities to be measured, performance ranges, and point value for each activity.

Performance
Measure 3.2.b.1

Functional Cost Report Is Timely, Accurate, and Complete as Determined by DOE.

Performance
Measure Result

This measure was successfully met. A comprehensive Functional Support Cost Report was prepared by Financial Services Management in accordance with DOE guidelines and was submitted on time. During the Second Quarter, a formal on-site FSCR was conducted by the DOE/CFO Office. The Laboratory met with DOE auditors during their validation process to assist in verifying the data and in ensuring its accuracy and completeness. The DOE auditors commended the Laboratory for the professional and well-organized manner in which the materials were presented.

In FY 2001, Financial Services Management accepted an invitation from the Financial Management Systems Improvement Council (FMSIC) to participate as a member of the Functional Support Cost peer-review team. Financial Services Management continues to actively participate by designating a staff employee as a permanent team member, assessing functional-cost data for other DOE laboratories.

Performance
Measure 3.2.b.2

Uncosted Balance Reports Are Timely, Accurate, and Complete as Determined by DOE.

Performance
Measure Result

This measure was successfully met this year. The Uncosted Balance Report was submitted on time and prepared in an accurate and complete manner, in accordance with the procedures outlined by DOE. There were no requests for additional information, clarification, or changes to the report, all of which were considered adequate verification that the report was acceptable to DOE.

**Performance
Measure 3.2.b.3**

Regular and Ad Hoc and Miscellaneous Budget Execution and Cost Management Reports Are Timely, Accurate, and Complete as Determined by DOE.

**Performance
Measure Result**

Through the Third Quarter, all regular and ad hoc budget and cost reports were prepared in a timely and accurate manner and in accordance with DOE guidelines. There were no requests from DOE for verification, changes, or corrections; therefore, the reports were considered accurate and complete. The following are examples of budget and cost-management reports that were prepared and submitted either on time or early:

- OSTI Report
 - WFO Cost Ceiling Report
 - Independent Centers Report
 - DOE Headcount and Travel Reports
-

Supporting Data

Available on request.

**Performance
Objective #4**

Effective Decision Support and Organization Management: *The Controller's Organization provides appropriate business information and intelligence, expertise, analysis, reports, and organization management that enable effective decision-making processes and outcomes. (Weight = 19.0% / Total Points = 190)*

**Objective #4
Criterion 4.1**

Internal Planning, Reporting, and Analyses: *The Controller's Organization shall provide effective planning, reporting, and analytical decision support to its internal customers. (Weight = 19.0% / Total Points = 190)*

**Objective #4
Criterion 4.1
Performance
Measure 4.1.a**

Effective Processes and Tools: *The Controller's Organization uses effective processes and tools that satisfy customer needs. (Weight = 14.5% / Total Points = 145)*

Basis for Rating

Exhibit I (at the end of this section) summarizes the activities to be measured, performance ranges, and point value for each activity.

**Performance
Measure 4.1.a.1**

Financial Management Provides Effective, Value-Added Tools for Quality Analysis and Informed Decisions (e.g., Operating Plan, Institutional Forecast Summary for Director's Review, and the Institutional Plan Summary Report).

**Performance
Measure Result**

Financial Services coordinated and organized the Director's FY-2004 Budget Review, which was conducted in May. Improvements in process, planning, and format resulted in the ability to present institutional forecasts for each division in a more effective and efficient manner. For example, the informational forecast overview was refined and customized in accordance with feedback received from prior reviews to provide a more value-added product. In addition, the presentations from each division were collected, consolidated, and formatted in advance of the meeting to streamline the process and minimize presentation delays. The Laboratory Director commented that he was pleased with the information provided and that it continues to improve each year.

One of the key Laboratory processes supported by Financial Services Management is the development and presentation of the Management Report (Operating Plan). The Management Report includes year-to-date costs and annual forecasts for each division, compared to actual cost trends for the prior year. The report is typically presented to senior management as requested during the Second and Third Quarters. After the presentation of the Management Report, a debriefing session is conducted to review discussions during the Management Report meeting and to plan for changes or enhancements in the next report.

The Management Report is well received by Laboratory senior management, who consider the report a viable process that provides quality information and an effective tool for sound financial decisions. The report was improved significantly last year to include a CD format with narration, enhanced graphics, and drill-down capabilities for additional detail. This year, additional enhancements were made to include recovery-by-division graphics and forecasts for Operations division and department heads. The new format continues to be highly regarded as a method in which to provide essential financial data for the Laboratory.

A key element in the Laboratory's strategic management planning is the *Institutional Plan*, which provides an overview of the Laboratory's mission, strategic plan, initiatives, and resource requirements. Resource requirements for funding and personnel were developed and submitted to the Laboratory's Office of Planning and Strategic Development as part of the final publication. Financial Services Management provided the required tables for funding and personnel projections by major programs in a timely and complete manner. The data provides institutional planning information for FY 2004 – FY 2008.

**Performance
Measure 4.1.a.2**

Financial Management Supports Processes that Meet the Needs of the Laboratory (e.g., Training, Utilization of Effective Financial Systems, Rate Management, and Workforce Development).

**Performance
Measure Result**

This measure was successfully met. Rate management is a vital part of effective financial processes that support the needs of the Laboratory. Indirect rates are continuously reviewed for appropriateness, and the Laboratory works closely with DOE to ensure compliance with DOE regulations and CAS.

Financial Services Management also communicates key information relative to the rate-management process. Several presentations on indirect-rate management and costs were made to senior management to provide and update rate development and related costs, i.e., rate structure and development for payroll burden, facilities use (space), and the procurement burden.

Financial Services Management also performs a monthly analysis that includes an annual projection of indirect costs, rates, and recoveries. The impact of cost projections against current rates are monitored and reviewed for appropriateness (e.g., payroll-burden rates were analyzed to determine the impact of increases in health insurance costs). Regular meetings are conducted with the Deputy Director for Operations to review current cost projections, rates, and the overall management of the Laboratory's indirect budget.

The Redbook continues to be a useful document in which to display key financial information, such as cost trends, status of indirect budgets, headcount, gross earnings, and full-time equivalent (FTE) data. The Redbook is consistently updated by Financial Services Management to reflect current information.

Training on financial processes and procedures, as well as software and system skill development, is actively supported at the Laboratory and is provided to employees on an ongoing basis. For example, a Web-based, self-guided course on unallowable costs and the federal budget process is available on an ongoing basis. FMS courses, such as Project Setup, Query, Web Reporting, nVision, Janus, and Resource Adjustments, are also provided throughout the year. In addition, a current version of the approved resource adjustment procedures is available on the Web as a reference guide.

Financial Services Management also regards internal departmental training as a fundamental part of workforce development, and necessary in meeting the needs of the Laboratory. A competent staff knowledgeable in financial processes and procedures, with the ability to provide quality financial information, is essential to employee development. Financial Services

Management staff have completed an average of 25 hours of training each. Opportunities for education and training are available and continue to be encouraged throughout the year.

Participation in meetings and conferences with other universities and laboratories is also supported. This enables the Laboratory to interact with other laboratory associates and to develop positive working relationships; it also fosters information-sharing and provides a forum in which to resolve issues and discuss ideas. Financial Services Management supports and participates in organizations such as FMSIC, the Business Management Information System (BMIS), Management Skills Assessment Program (MSAP), the DOE Accounting Officers Conference, Federal Financial Managers Conference, and the Annual DOE Budget Officers' Workshop.

The Financial Network includes all financial personnel; it was developed to provide the Laboratory financial community with a forum for information, communications, open discussion, and issue resolution. It also establishes a learning environment for education and training. Examples of informative sessions include training on the PMTS for budget formulation, the use of nVision Report Books, tutorials for new forms such as the Request for Issuance of Check (RFIC) form, and information about the accelerated month-end close.

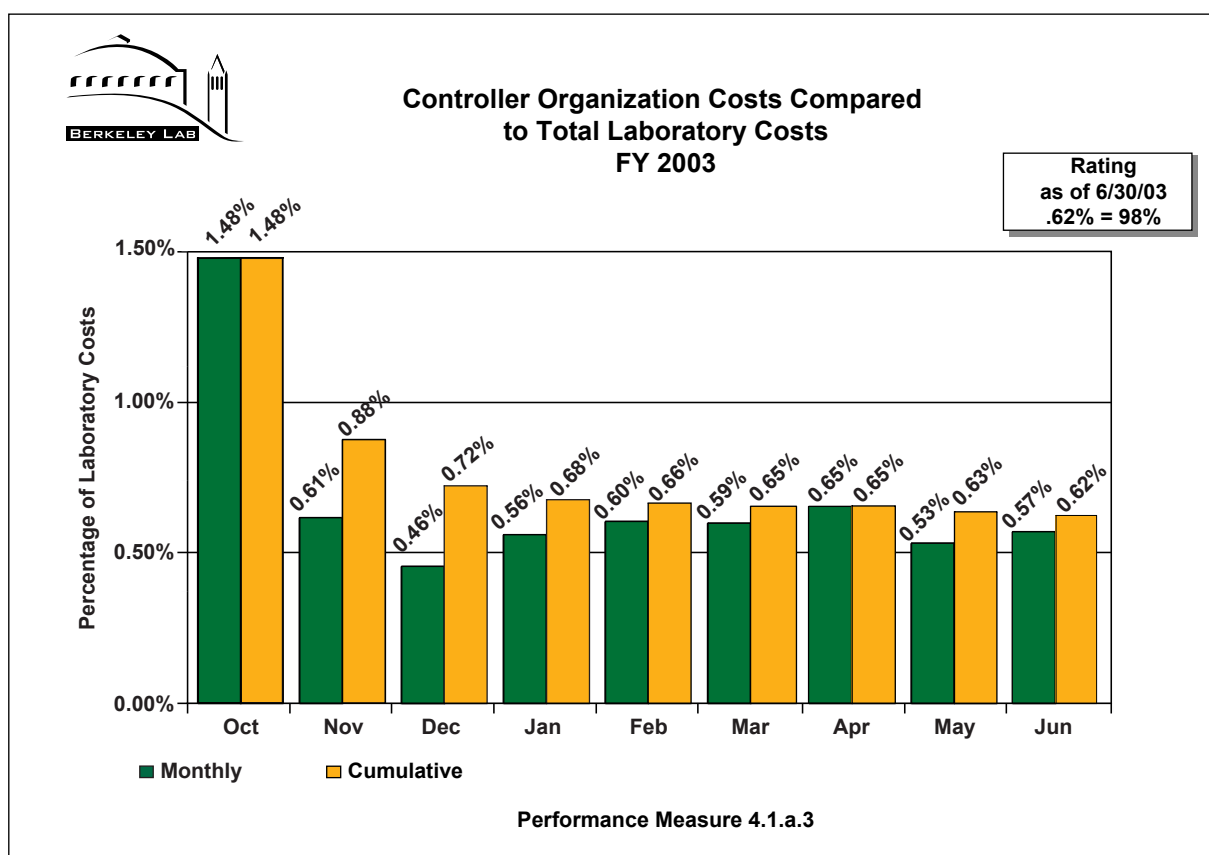
The Financial Network typically meets once each month. The Financial Network group is also advised electronically of timely communications and notifications involving relevant financial information. The development of the Financial Network is another process that effectively meets the financial-management needs of the Laboratory.

**Performance
Measure 4.1.a.3**

Gauge: *Controller's Organization's Cost Trends Compared to Total Laboratory Costs.*

**Performance
Measure Result**

For the first half of the fiscal year, performance for this measure was outstanding. Controller's Organization costs were managed successfully compared to total Laboratory costs. For the first nine months of the fiscal year, costs were controlled to only 0.62% of the total Laboratory costs, compared to 0.81% for the same period in FY 2002. (The increase in October was due to a significant reduction in total Laboratory costs. FY-2002 year-end accrual reversals and a decrease in October purchases were the major contributing factors.)


Supporting Data

Available on request.

Objective #4
Criterion 4.1
Performance
Measure 4.1.b

Institutional Distributed/Indirect Budget and Rate Management: *The Controller's Organization institutional distributed/indirect budget and rate management activities will be measured. (Weight = 4.5% / Total Points = 45)*

Basis for Rating

Exhibit I (at the end of this section) summarizes the activities to be measured, performance ranges, and point value for each activity.

Performance
Measure 4.1.b.1

The Laboratory Takes Proactive Steps to Ensure that the Institutional Indirect Budget Formulation and Execution Submissions and Periodic Reports Are Timely, Accurate, Complete, and Meet the Needs of Laboratory Management.

Performance
Measure Result

The Laboratory successfully met this measure. Last year, the FY-2003 indirect budget was re-engineered using a different format: activity-based budgeting (ABB). The concept of ABB was to develop a budget in which to monitor costs for each activity that supports Operations and the Laboratory. The ABB format was used again for the FY-2004 institutional budget formulation process.

In the Third Quarter, the institutional indirect-budget call was provided to each Operations division. Financial Services implemented several activities to ensure that the Laboratory's needs were met by its indirect budget. Guidance for budget development was provided to Laboratory business managers and financial personnel to allow for ample time to complete the budgets for each division. Several informational meetings were held to review the requirements, address issues, and provide adequate support.

Each budget report submitted is reviewed for accuracy and completeness. Organization burdens and recharge rates are developed and analyzed for appropriateness, and a comprehensive budget-submission summary is submitted to senior management for review and presented to DAC for approval.

In a proactive effort to meet Laboratory management's needs, an analyst from Financial Services Management has been assigned to the Directorate to provide analyses, review funding allocations, and assist with the management of the institutional indirect budget. This has been a positive step in enhancing communications with and providing services to the Directorate.

**Performance
Objective #5**

Effective Financial Management Systems: *The Controller's Organization will provide proactive leadership in improving financial information systems and decision support tools, in support of DOE and Laboratory initiatives. (Weight = 11% / Total Points = 110)*

**Objective #5
Criterion 5.1**

Effective Internal Systems: *The Controller's Organization will provide proactive leadership in improving financial information systems and decision support tools. (Weight = 6% / Total Points = 60)*

**Objective #5
Criterion 5.1
Performance
Measure 5.1.a**

Evolving to Meet Technology Advances: *The Controller Organization will demonstrate the effectiveness of the Laboratory's financial information systems and decision support tools in support of internal customer's needs. (Weight = 6% / Total Point = 60)*

Basis for Rating

Exhibit I (at the end of this section) summarizes the activities to be measured, performance ranges, and point value for each activity.

**Performance
Measure 5.1.a.1**

Customer-Driven Development Priorities: *Customers are actively involved in system development priorities. Products and services provided are analyzed on a proactive basis.*

**Performance
Measure Result**

This measure was successfully met. Financial systems, products, and services are developed with the active collaboration of Financial Services Management partners and customers. For example, the Laboratory's Procurement/Receiving/Payables (PRP) system was implemented last year with a significant level of teamwork and substantial customer input; needs assessment and business-process reviews were performed, and the establishment of teamwork significantly affected this system.

This year, the Laboratory established PUG, whose mission is to foster open communications within the PRP user community, resolve issues, improve the efficiency and effectiveness of user requirements, and ensure that customers' needs are met.

**Performance
Measure 5.1.a.2**

Accuracy of Data: *Internal controls are in place to ensure the highest level of accuracy within the financial system.*

**Performance
Measure Result**

The Laboratory established effective internal controls to ensure that the information provided through financial systems was accurate, complete, and easily available to users. Financial Services Management works closely with Information Systems and Services (ISS) to provide a high level of reliable financial data for the financial community. Processes are in place to electronically validate the accuracy of FMS data. Another system, the Integrated Reporting Information System (IRIS), also uses data tables developed by FMS to provide accurate financial information for users on a timely basis, and is accessible on the Web.

**Performance
Measure 5.1.a.3**

Internal Systems Strategic Planning: *The Laboratory has a process in place to prioritize and allocate resources for new systems development and to improve financial processes.*

**Performance
Measure Result**

An effective strategic planning process is fundamental to improving financial systems and procedures to meet users' needs. The development of new financial systems is based on an annual prioritized list of requirements and resources, which is part of the Laboratory systems and project-planning process. The list (project charters) is created jointly by Financial Services senior management, ISS, and other Laboratory divisions and is submitted to Laboratory management for review and approval. An executive committee, the Enterprise Computing Steering Committee (ECSC), receives funding for priority systems, which are allocated to ensure that the required resources for developments and improvements are provided. The ECSC Committee and Laboratory senior management (department heads and division directors) are responsible for prioritizing funding allocations for Laboratory systems.

Accordingly, an annual Laboratory systems plan is prepared and submitted to DOE/OAK for approval. The plan includes a summary of system projects, guidelines, and application attributes.

**Performance
Measure 5.1.a.4**

Software Security: *The Controller's Organization software is secure and is monitored on a regular basis.*

**Performance
Measure Result**

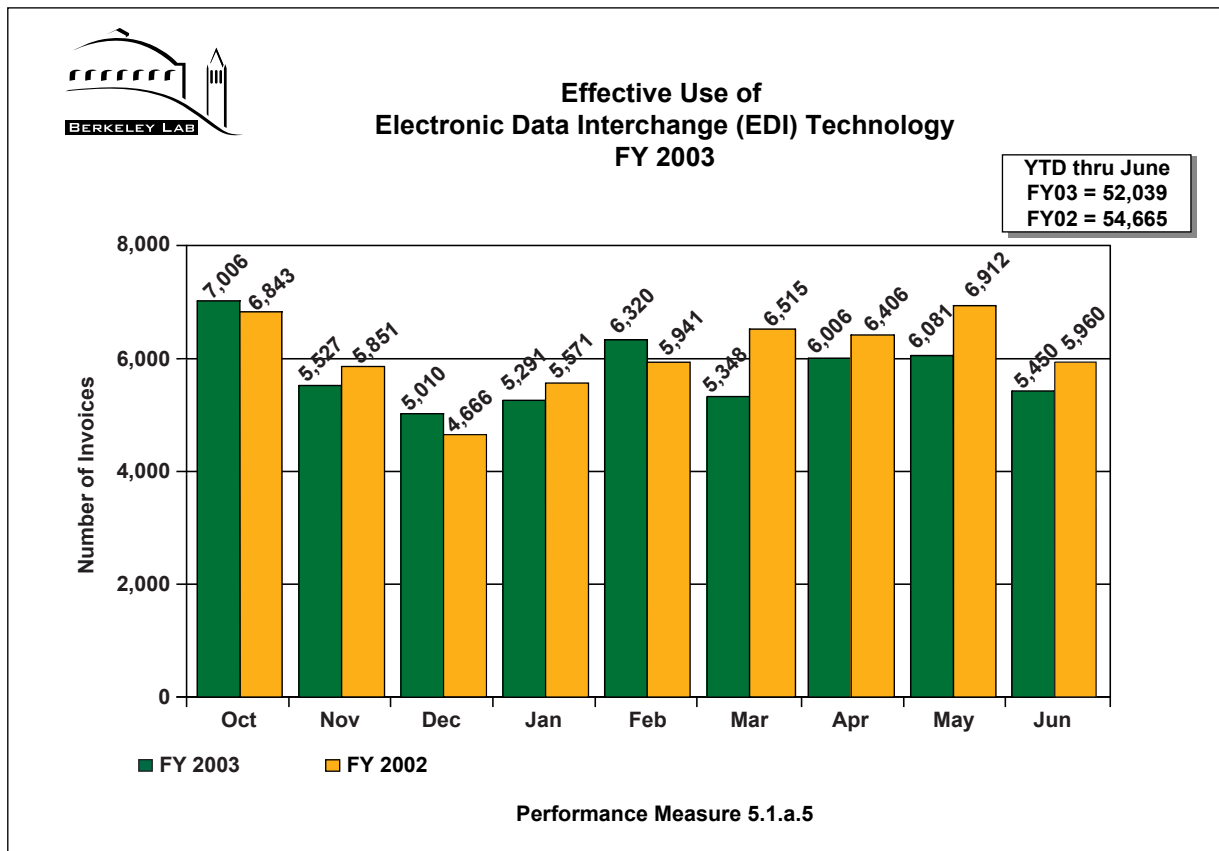
The security of application software is managed and monitored on a regular basis at the Laboratory. Financial Services, in association with ISS, administers and maintains software security for the Department, in accordance with the Regulations and Procedures Manual (RPM). In addition, a representative from Financial Services serves as a liaison to the Computer Protection Implementation Committee (CPIC), which meets approximately once per month to assist in developing, implementing, and administering Laboratory computer-security policies.

**Performance
Measure 5.1.a.5**

Effective Use of Electronic Data Interchange (EDI) Technology: *EDI technology is used to its fullest potential, and the Laboratory actively seeks to expand its capabilities.*

**Performance
Measure Result**

This measure was successfully met. The use of EDI technology continues to be promoted at the Laboratory. Although the use of ProCard decreased this year (along with a corresponding reduction of approximately 2,000 EDI payments), high-volume vendors are still encouraged to test for the implementation of EDI capabilities.



**Objective #5
Criterion 5.2**

Support of DOE Initiatives: *The Controller's Organization shall provide support to DOE initiatives related to relevant DOE Councils and major financial information systems. (Weight = 5% / Total Points = 50)*

**Objective #5
Criterion 5.2
Performance
Measure 5.2.a**

Effectiveness of Support of DOE Initiatives: *The Controller's Organization shall demonstrate the effectiveness of the Laboratory's support to DOE management and information systems initiatives. (Weight = 5% / Total Points = 50)*

Basis for Rating

Exhibit I (at the end of this section) summarizes the activities to be measured, performance ranges, and point value for each activity.

**Performance
Measure 5.2.a.1**

Support of Financial Management Systems Improvement Council (FMSIC) and the Business Management Information System (BMIS): *The Laboratory actively supports FMSIC and BMIS.*

**Performance
Measure Result**

This measure was successfully met. The Laboratory actively supports the activities of FMSIC and BMIS. Financial Services Management was represented at the latest FMSIC/BMIS meeting in March. Current financial issues as well as key topics including e-commerce, cost-reduction strategies, Integrated Management Navigation System (I-Manage), and best practices were discussed. The Laboratory continues to attend FMSIC/BMIS meetings and to comply with applicable DOE requirements as appropriate.

**Performance
Measure 5.2.a.2**

DOE Satisfaction with Timely FMS Plan Submission: *The FMS Plan was submitted on a timely basis and met DOE expectations.*

**Performance
Measure Result**

This measure was successfully met. The FY-2003 Annual Systems Plan was submitted to DOE on time. The Laboratory received documentation that the plan was prepared appropriately as required. DOE provided some helpful guidelines, such as when to provide additional project detail, for future reports. As such, a proactive step was taken by the Laboratory to enhance the current report. A supplemental addendum providing further project detail for the Grants/RAPID project, Janus, and the Gelco Travel System was submitted to DOE, which acknowledged its appreciation for the additional information.

**Performance
Measure 5.2.a.3**

DOE Satisfaction with the Laboratory's Coordination and Support of DOE Priorities and Long-Term System Initiatives: *DOE is satisfied with the Laboratory's coordination and support of DOE priorities and long-term system initiatives.*

**Performance
Measure Result**

The Laboratory successfully accommodated the DOE requirement to revise the current closing timetable and to adopt an accelerated monthly close schedule. Provisions were made to redesign the closing process to comply with this requirement in fiscal years 2003 and 2004. The accelerated schedule expedites transmissions to DOE in order to meet financial-statement reporting requirements.

The electronic Portfolio Management Environment (ePME) project is a long-term system initiative that will manage, track, and report on R&D projects, combine information from other DOE systems, and integrate with Laboratory and field-office systems. The Laboratory supports this endeavor, and completion is estimated in three years.

In addition the Laboratory is proactively supporting the PeopleSoft financial system upgrade to accommodate I-Manage and the Standard Accounting and Reporting System (STARS) requirements. Laboratory financial staff participated in working groups, conferences, and meetings such as FMSIC and the Accounting Officer's meeting with DOE to facilitate the support of long-term initiatives.

Another DOE system initiative is the standard general ledger (SGL) conversion. Coding changes for these SGL requirements were completed during the June 2003 close. Remaining adjustments to opening balances are planned to be addressed in the July close. The Laboratory has taken an active part in this process, and progress continues to accommodate DOE requirements.

The following illustrates current organizational trends in four major areas of Financial Services Management:

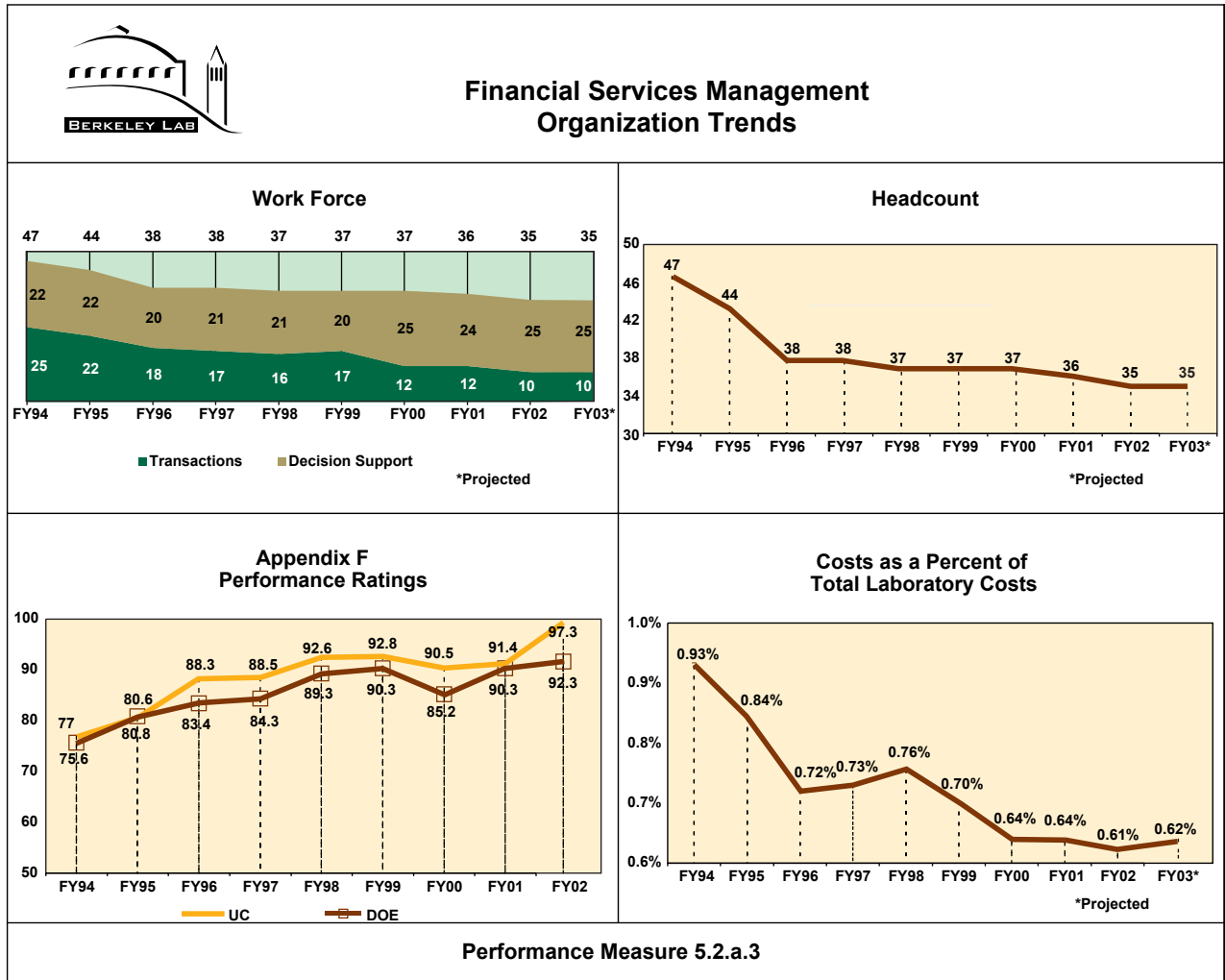


EXHIBIT I
LBNL FINANCIAL MANAGEMENT
FY 2003 SUB-MEASURES

Note: Gauge gradients are scored based on results during the assessment year. A percentage of points, from 100% to 50%, are earned based upon these results. Below a certain performance level, zero points are earned. The summary gauge gradients below show the performance levels to earn 0%, 50%, 60%, 70%, 80%, and 90% of points.

MEASURE	ACTIVITY	GRADIENTS	POINT VALUE
1.1.a	Effectiveness of Disbursements		12
1.1.a.1	Vendor payments made on time.	<i>Percentage of Points Earned</i> 0/50/60/70/80/90 <i>Performance Level (%)</i> ≥59.99/68.79/76.79/84.79/≤92.79	10
1.1.a.2	Customer satisfaction results.	Meets/Does Not Meet	2
1.1.b	Effectiveness of Collections		13
1.1.b.1	Effective processing of receivable invoices.	Meets/Does Not Meet	5
1.1.b.2	No delinquent federal receivables >160 days.	Meets/Does Not Meet	4
1.1.b.3	No delinquent non-federal receivables >160 days.	Meets/Does Not Meet	4
1.2.a	Work For Others (WFO) Accounts — Use of UC Bridge Funding		28
1.2.a.1	The Laboratory provides UC with timely information on UC bridge funding.	Meets/Does Not Meet	14
1.2.a.2	The Laboratory provides DOE/OAK with timely information on UC bridge funding.	Meets/Does Not Meet	14
1.2.b	High Risk Account Reconciliations		64
1.2.b.1	Payroll bank account is reconciled within 20 workdays after receipt of the Account Reconciliation Report from the bank.	Meets/Does Not Meet	16
1.2.b.2	Payroll bank account — Controllable reconciling items over 60 days old will not exceed 25% of the total controllable reconciling items. The 60-day time period will begin from the date that the reconciliation is completed.	Meets/Does Not Meet	16
1.2.b.3	Vendor bank account is reconciled within 20 workdays after receipt of the Account Reconciliation Report from the bank.	Meets/Does Not Meet	16
1.2.b.4	Vendor bank account — Controllable reconciling items over 60 days old will not exceed 25% of the total reconciling items. The 60-day time period will begin from the date that the reconciliation is completed.	Meets/Does Not Meet	16

MEASURE	ACTIVITY	GRADIENTS	POINT VALUE
1.2.c	Asset Management		24
1.2.c.1	Upon approval from Property, capitalize all completed capital construction projects no later than the next monthly accounting period after beneficial occupancy.	Meets/Does Not Meet	16
1.2.c.2	Financial Management participates in the Unified Project Call Process, which ensures all funding determination requests are evaluated and prioritized for appropriateness.	Meets/Does Not Meet	8
2.1.a	Audit Results and Resolution		18
2.1.a.1	Appropriate targeting of accepted findings.	<u>Percentage of Points Earned</u> 0/50/60/70/80/90/100 <u>Performance Level</u> (% Targeted Dates Set) <49/50/60/70/80/90/100	9
2.1.a.2	Appropriate resolution of accepted findings.	<u>Percentage of Points Earned</u> 0/50/60/70/80/90/100 <u>Performance Level</u> (% Resolution) <49/50/60/70/80/90/100	9
2.1.b	Internal Controls and Compliance on Subject Areas		36
2.1.b.1	Self-assessment reports and related documentation, as determined in conjunction with DOE-OAK. (DOE-OAK will determine if self-assessment reports and related documentation were complete.)	<u>Percentage of Points Earned</u> 0/50/60/70/80/90/100 <u>Performance Level</u> (% of Self-Assessment Reports and Related Documentation Requiring Additional Information) >51/50/40/30/20/10/0	18
2.1.b.2	Appropriate targeting of self-assessment findings. (DOE-OAK will determine if appropriate target dates were set and met for all self-assessment findings.)	<u>Percentage of Points Earned</u> 0/50/60/70/80/90/100 <u>Performance Level</u> (% of Target Dates Set) >51/50/40/30/20/10/0	9
2.1.b.3	Appropriate resolution of self-assessment findings. (DOE-OAK will determine if appropriate target dates were set and met for all self-assessment findings.)	<u>Percentage of Points Earned</u> 0/50/60/70/80/90/100 <u>Performance Level</u> (% Resolution) >51/50/40/30/20/10/0	9
2.1.c	Cost Accounting Practices		72
2.1.c.1	Indirect rate submissions are timely, accurate, complete, and in conformance with Cost Accounting Standards (CAS), as determined by DOE/OAK.	Meets/Does Not Meet	18
2.1.c.2	CAS change proposal submissions are timely, accurate, complete, and in conformance with the agreed-upon requirements as determined by DOE/OAK.	Meets/Does Not Meet	18
2.1.c.3	CAS Disclosure Statement is current, accurate, complete, and in conformance with the agreed-upon requirements as determined by DOE/OAK.	Meets/Does Not Meet	18
2.1.c.4	Internal customer information distribution process is in place. Information is distributed to customers on timely basis (i.e., within ten workdays after notification of DOE approval).	Meets/Does Not Meet	18

MEASURE	ACTIVITY	GRADIENTS	POINT VALUE
2.1.d	Accuracy of DOE Financial Statements		50
2.1.d.1	DOE balance sheet codes reconciliations. Timely reconciliation of key balance sheet accounts (i.e., cash, liabilities, advances, and deposits).	Meets/Does Not Meet	16
2.1.d.2	The Laboratory is free of material GMRA audit findings.	Meets/Does Not Meet	16
2.1.d.3	Financial Statement reports address the information requirements specified in the appropriate Federal Accounting Standard and/or DOE guidance.	Meets/Does Not Meet	18
2.2.a	Internal Financial Management Reporting		38
2.2.a.1	Monthly and periodic financial management reports are accurate, complete, and meet user needs.	Meets/Does Not Meet	38
2.2.b	DOE and Other External Laboratory Reporting		70
2.2.b.1	Monthly MARS transmission is submitted to DOE/OAK on time. Scoring: Effective April 1, 2003, each timely submission with no more than three Laboratory edits (validity, combination, or balancing) from the published list earns 2 points. If monthly data transmissions pass all edits by 3:00 p.m. the second business day, LBNL will receive an additional 3 points per month.	Meets/Does Not Meet	30
2.2.b.2	MARS reporting requirement changes implemented as required by the DOE schedule (B&R recasts, OPI codes, etc.).	95% = Meets	20
2.2.b.3	DOE periodic financial reports.	95% = Meets	10
2.2.b.4	DOE ad hoc financial reports.	95% = Meets	10
2.3.a	Financial Controls		30
2.3.a.1	WFO account management.	Meets/Does Not Meet	15
2.3.a.2	UCDRD account management.	Meets/Does Not Meet	15
2.3.b	Financial Policies and Procedures		30
2.3.b.1	Financial policies and procedures are accurate, consistent, complete, and current in areas assessed, and are available to Laboratory organizations.	<i>Percentage of Points Earned</i> 0/50/60/70/80/90/100 <i>Performance Level</i> <i>(% of Financial Policies and Procedures</i> <i>Accurate, Consistent, Complete and</i> <i>Current)</i> ≤49/50/60/70/80/90/100	15
2.3.b.2	Changes and/or updates to financial policies and procedures are communicated in a timely manner (i.e., within ten workdays of final publication).	Meets/Does Not Meet	15
3.1.a	DOE Budget Submission and Validation		50
3.1.a.1	Proactivity and Customer Satisfaction. The Laboratory takes proactive steps to ensure that the DOE field-budget submission and validation is timely, accurate, complete, and meets DOE/OAK's needs.	Meets/Does Not Meet	25

MEASURE	ACTIVITY	GRADIENTS	POINT VALUE
3.1.a.2	DOE Field Budget Submission. Timeliness, Accuracy, and Completeness. The Laboratory's DOE field-budget submission exhibits and schedules are submitted to DOE timely, accurately, and with all schedules completed as prescribed in the DOE's guidance.	Meets/Does Not Meet	25
3.2.a	Control of Funds		90
3.2.a.1	Laboratory costs are within cost-control levels at the end of each monthly accounting period for DOE direct funding.	Meets/Does Not Meet	42
3.2.a.2	The sum of the Laboratory's DOE funded costs and commitments do not exceed available funds at the B&R Obligational Control Level (OCL) at year-end.	Meets/Does Not Meet	15
3.2.a.3	The Laboratory's reimbursable WFO costs do not exceed available funds at the Reimbursable Work Order (RWO) OCL at year-end.	Meets/Does Not Meet	15
3.2.a.4	Laboratory Costs are within cost-control levels for all DOE funding throughout the year.	Nine additional points will be awarded at year-end if no instances of costs exceeding available funds at the cost-control level occurred during the entire fiscal year.	9
3.2.a.5	Laboratory costs are within cost-control levels for reimbursable WFO funding throughout the year.	Nine additional points will be awarded at year-end if no instances of costs exceeding available funds at the cost-control level occurred during the entire fiscal year.	9
3.2.b	Reports, Submissions, and Requests		75
3.2.b.1	Functional Cost Report is timely, accurate, and complete as determined by DOE.	Meets/Does Not Meet	25
3.2.b.2	Uncosted Balance Reports are timely, accurate, and complete as determined by DOE.	Meets/Does Not Meet	25
3.2.b.3	Regular and ad hoc budget and cost management reports are timely, accurate, and complete as determined by DOE.	Meets/Does Not Meet	25
4.1.a	Effective Processes and Tools		145
4.1.a.1	Financial Management provides effective, value-added tools for quality analysis and informed decisions (e.g., Operating Plan, Institutional Forecast Summary for Director's Review, and the Institutional Plan Summary Report).	Meets/Does Not Meet	50
4.1.a.2	Financial Management supports processes that meet the needs of the Laboratory (e.g., training, utilization of effective financial systems, rate management, and workforce development).	Meets/Does Not Meet	50
4.1.a.3	Controller's Organization cost trends. (Gauged Gradient)	<u>Percentage of Points Earned</u> 0/50/60/70/80/90 <u>Performance Level (%)</u> ≥1.59/1.58/1.38/1.20/1.00/≤0.80	45

MEASURE	ACTIVITY	GRADIENTS	POINT VALUE
4.1.b	Institutional Distributed/Indirect Budget and Rate Management		45
4.1.b.1	The Laboratory takes proactive steps to ensure that the institutional indirect budget formulation and execution submissions and periodic reports are timely, accurate, complete, and meet the needs of Laboratory management.	Meets/Does Not Meet	45
5.1.a	Evolving to Meet Technology Advances		60
5.1.a.1	Customer-driven priorities.	Meets/Does Not Meet	12
5.1.a.2	Accuracy of data.	Meets/Does Not Meet	12
5.1.a.3	Internal systems strategic planning.	Meets/Does Not Meet	12
5.1.a.4	Software security.	Meets/Does Not Meet	12
5.1.a.5	Effective use of Electronic Data Interchange (EDI) technology.	Meets/Does Not Meet	12
5.2.a	Effectiveness of Support of DOE Initiatives		50
5.2.a.1	Support of Financial Management Systems Improvement Council (FMSIC) and the Business Management Information System (BMIS).	Meets/Does Not Meet	20
5.2.a.2	DOE satisfaction with timely FMS Plan submission.	Meets/Does Not Meet	20
5.2.a.3	DOE satisfaction with the Laboratory's coordination and support of DOE priorities and long-term system initiatives.	Meets/Does Not Meet	10

Financial Management Supplemental Material

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Measure	Transaction	Jul	Aug	Sep	4th Quarter	Yr End Cum Avg
1.1.a.1	Vendor payments made on time	92.14%	93.66%	92.15%		93.76%
1.1.a.2	Customer satisfaction results				Met	
1.1.b.1	Effective Processing of Receivable Invoices (avg. no. days to process)				5.50	3.98
1.1.b.2	No delinquent non-federal receivables >160 days				Met	
1.1.b.3	No delinquent federal receivables >160 days				Met	
1.2.a.1	Laboratory provides UC with timely information on UC bridge funding	Met	Met	Met		
1.2.a.2	Laboratory provides DOE OAK with timely information on UC bridge funding				Met	
1.2.b.1	Payroll bank account is reconciled within 20 workdays	Met	Did not meet	Met		
1.2.b.2	Payroll bank account - controllable reconciling items over 60 days do not exceed 25% of total	Met	Met	Met		
1.2.b.3	Vendor bank account is reconciled within 20 workdays	Met	Met	Met		
1.2.b.4	Vendor bank account - controllable reconciling items over 60 days do not exceed 25% of total	Did not meet	Met	Met		
1.2.c.1	Capitalization of all completed construction projects				Met	
1.2.c.2	Financial Management participates in the Unified Project Call process				Met	
2.1.a.1	Appropriate targeting of accepted findings					94.4%
2.1.a.2	Appropriate resolution of accepted findings					92.9%
2.1.b.1	Self-assessment reports and related documentation, as determined in conjunction with DOE OAK					TBD*
2.1.b.2	Appropriate targeting of self-assessment findings					TBD*
2.1.b.3	Appropriate resolution of self-assessment findings					TBD*
2.1.c.1	Indirect rate submissions are timely, accurate, complete, and in conformance with CAS, as determined by DOE OAK				Met	
2.1.c.2	CAS change proposal submissions are timely, accurate, complete, and in conformance with agreed upon requirements, as determined by DOE OAK				Met	
2.1.c.3	CAS Disclosure Statement is current, accurate, complete and in conformance with the agree upon requirements, as determined by DOE OAK				Met	
2.1.c.4	Internal customer information distribution process is in place Information is distributed to customers on a timely basis (i.e., within 10 workdays after notification of DOE approval)				Met	
2.1.d.1	DOE balance sheet code reconciliations				0	0
2.1.d.2	The Laboratory is free of material GMRA audit findings					Met
2.1.d.3	Financial Statement reports address the information requirements specified in the appropriate Statement of Federal Accounting Standards and/or DOE guidance					Met
2.2.a.1	Monthly and periodic financial management reports are accurate, complete and meet user needs	Met	Met	Met		
2.2.b.1	Monthly MARS transmission is submitted to DOE/OAK on time	5.00	5.00	5.00		
2.2.b.2	MARS reporting requirement changes implemented as required by the DOE schedule	Did not meet	Did not meet	Did not meet		
2.2.b.3	DOE periodic financial reports 95% of the total periodic reports are timely, accurate and complete					Met
2.2.b.4	DOE ad hoc financial reports 95% of the total ad hoc reports are timely, accurate and complete					Met
2.3.a.1	WFO account management					Met

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Measure	Transaction	Jul	Aug	Sep	4th Quarter	Yr End Cum Avg
2.3.a.2	UCDRD account management					Met
2.3.b.1	Financial policies and procedures are accurate, complete and current in areas assessed, and are available to Laboratory organizations					Met
2.3.b.2	Changes and/or updates to financial policies and procedures are communicated in a timely manner (i.e.; within 10 workdays)	Met	Met	Met		
3.1.a.1	Proactivity and customer satisfaction DOE field budget submission and validation is timely, accurate, complete, and Met DOE/OAK's needs					Met
3.1.a.2	DOE Field Budget Submission The Laboratory's DOE field budget submission exhibits and schedules are submitted to DOE timely, accurately and with all schedules completed as prescribed in the DOE's guidance					Met
3.2.a.1	Laboratory costs are within cost control levels at the end of each monthly accounting period for DOE direct funding	Met	Did not meet	Met		
3.2.a.2	The sum of the Laboratory's DOE funded costs and commitments do not exceed available funds at the B&R Obligational Control Level (OCL) at year-end					Met
3.2.a.3	The Laboratory's Reimbursable WFO costs do not exceed available funds at the RWO Obligational Control Level at year-end					Met
3.2.a.4	Laboratory costs are within cost control levels for all DOE funding throughout the year					Did not meet
3.2.a.5	Laboratory costs are within cost control levels for Reimbursable WFO funding throughout the year					Did not meet
3.2.b.1	Functional Cost Report is timely, accurate, and complete as determined by DOE					Met
3.2.b.2	Uncosted Balance Reports are timely, accurate, and complete as determined by DOE					Met
3.2.b.3	Regular and ad hoc budget and cost reports are timely, accurate and complete as determined by DOE					Met
4.1.a.1	Financial Management provides effective, value-added tools for quality analysis and informed decisions					Met
4.1.a.2	Financial Management supports processes that meet the needs of the Laboratory				Met	
4.1.a.3	Controller's Organization cost trends compared to total Laboratory costs	0.58%	0.71%	0.38%		0.59%
4.1.b.1	The Laboratory's institutional indirect rates and collections are estimated accurately based upon the best information available Institutional indirect budgets and costs are monitored to ensure proper budget execution				Met	
5.1.a.1	Customer driven development priorities - Customers are actively involved in system development priorities Products and services provided are analyzed on a proactive basis					Met
5.1.a.2	Accuracy of data - Internal controls are in place to ensure the highest level of accuracy within the financial system					Met
5.1.a.3	Internal systems strategic planning - The Laboratory has a process in place to prioritize and allocate resources for new systems development and to improve financial processes					Met
5.1.a.4	Software security - The Controller's Organization software is secure and is monitored on a regular basis					Met
5.1.a.5	Effective use of Electronic Data Interchange (EDI) technology					Met
5.2.a.1	Support of Financial Management Systems Improvement Council (FMSIC) and the Business Management Information System (BMIS)					Met
5.2.a.2	DOE satisfaction with timely FMS Plan submission					Met
5.2.a.3	DOE satisfaction with the Laboratory's coordination and support of DOE priorities and long-term system initiatives					Did not meet

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Measure	Transaction	Jul	Aug	Sep	4th Quarter	Yr End Cum Avg
*Pending evaluation and determination from DOE						